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ABSTRACT

Few national level programs in the United States directly support both local development and education/training. Although both are needed to accomplish the desired goals of economic stability and low unemployment, distinctly different sets of policies exist for each, and because of limited federal resources, each program is in competition with the other. This situation restricts the cooperative planning and joint action that might otherwise occur. Conflicting demands of the monetary goals of industry and the social goals of government also produce counterintuitive results. The foregoing are among the conclusions presented in this document on the federal policies and programs for education and local development. The initial section of this document examines a range of federal legislation affecting the relationship between education and local development and reviews legislation, federal programs, and policies in the areas of vocational education, job training and community economic development. The second section examines four models for local development (relocation, expansion, entrepreneurial and public service) which appear to underlie existing federal programs and analyzes how existing policies and programs support or inhibit each model. The final part of the document examines some of the causes and consequences of problems experienced in implementing and coordinating the various federal initiatives in the field of education and in local development. (Author/DS)

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EDUCATION AND LOCAL DEVELOPMENT

Federal Policies and Programmes for Education and Local Development in the United States

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
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Federal Policies and Programmes for Education and Local Development in the United States

(Note by the Secretariat)

1. This report was prepared for the CERI project on Education and Local Development by Dr. Stuart A. Rosenfeld (United States National Institute of Education). As the first country report to be issued under the ELD project, it is intended not only to document the performance of one Member country in this field, but also to serve as a model which other Member countries might wish to use in identifying and researching a similar set of issues within their own national contexts.

2. The views and opinions expressed in this report are those of the author and do not commit either the Organisation or the national authorities concerned.

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Shotgun Weddings, Open Marriages and Quickie Divorces: An Analysis of Federal Policies and Programmes for Education and Local Development in the United States

SUMMARY

This document first examines a range of federal legislation in the United States affecting the relationship between education and local development. Included here is a review of legislation in the areas of vocational education, job training, and community economic development. Interwoven with this focus on legislation is a description and discussion of the major federal programmes and policies in this area.

Next, the author examines four basic models of development (i.e. relocation, expansion, entrepreneurial and public service) which appear to underlie existing United States federal programmes. Finally, the document examines some of the causes and consequences of problems experienced in implementing and co-ordinating the various federal initiatives in the field of education and local development.

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Shotgun Weddings, Open Marriages and Quickie Divorces: An Analysis of Federal Policies and Programmes for Education and Local Development in the United States

by Dr. Stuart A. Rosenfeld

Introduction

Given their mutuality of interests and overall interdependence, one might expect the relationship between education and local development to be a close and happy one. After all, education requires a strong economy to provide the tax revenues for educational expenditures and the jobs needed by the education system's "products". Similarly, local economic development requires a strong education system to provide young workers with skills, knowledge and attitudes needed by local entreprises. Even beyond the generation of human capital, schools are expected to transform youth into the consumers needed to sustain a growing demand for the products of the economic system.

Yet, in recent decades, the relationship between education and local development in the United States has more often resembled a marriage of convenience than a blissful honeymoon. The nation's economic health appears to be the key determinant of how close a partnership is required. In good economic times, both parties can afford to follow their inclinations and largely ignore the other, at least in a day to day sense. However, this distance has proven more difficult to maintain during less prosperous economic periods.

In times of economic recessions and tight budgets, businesses tend to place greater demands on the education system for "properly" trained workers (thereby relieving the businesses of the burden and cost of training them themselves). Similarly, waning resources and fiscal "retrenchment" tend to make educators abandon the "frills" and become more "hard-nosed", business-oriented and inclined toward promoting vocational training as a way of justifying continued high levels of educational expenditure. Even so, the alliance tends to be half-hearted and regarded as something to be endured rather than embraced.

This is, of course, a callous and overly simplistic description. Nevertheless, the habit of taking the relationship between education and local development for granted has become deeply ingrained in American society and accurately reflected in federal policy. In the United States, there are national policies for education which simply presume continued economic expansion and development. Correspondingly, there are national policies for economic development which simply presume a continuing supply of well educated/trained workers. Federal rhetoric may promote the closeness of education and

development, but federal policy more often treats them as independent agents free to enter into whatever partnerships each may desire at any given moment - thus making it the classic example of an "open marriage".

The bonds that do exist are tenuous - which is not surprising given the "decentralised" nature of the federal government. Responsibility for occupational education and employment training is scattered among the Departments of Health, Welfare and Education (HEW), Labour (DOL), and Agriculture (DOA), and furthermore, fragmented among agencies within those departments. Similarly the authority for various aspects of local development is shared by the Departments of Commerce, Agriculture, Housing and Urban Development (HUD), the Community Services Administration (CSA), the Appalachian Regional Commission (ARC), and the Small Business Administration (SBA).

Despite the dispersion of authority and responsibility, common objectives still emerge, as evidenced by the programmes established within the agencies. The driving force behind current programmes is the reduction of unemployment. All programmes are geared, more or less, toward trying to reduce unemployment (while controlling inflation) and all programmes recognise the need for both skill training and job creation to achieve these ends. Yet differences in their approaches often belie any common understanding. Education and training policy, as promulgated by HEW and DOL, seems to assume that unemployment is basically structural and that if only the unemployed and the under-employed had the requisite sets of skills and attitudes (and, in some cases, be willing to relocate) they would find meaningful work. Development policy, on the other hand, seems to assume that unemployment is basically cyclical, that jobs must be created and thus local economies must be given a boost. It assumes that a queue of either trained or trainable workers exists and that if only the local economy could support enough jobs all would be well.

The other common theme shaping both education policy and local development policy is equity, with a resulting targeting of resources to specific populations. The goals are no longer simply to reduce unemployment, but rather to overcome past discrimination as well. Thus all policies now have compensatory functions directing portions of the federal funds to particular populations, i.e. the disadvantaged, handicapped, native Americans, migrant farmworkers, limited English speaking, displaced homemakers, or to areas with high concentrations of these populations. Which populations are specified varies among agencies, but nearly all programmes are now intended to raise the income level of the disenfranchised segments of the population.

There are, in addition to the common objectives, procedural similarities, generally designed to strengthen the role of the governing agency and to ensure correspondence between the objectives of the federal government and the local effects (while simultaneously maintaining the illusion of local control).

The use of local and State advisory boards, requirements for comprehensive planning documents and the use of block grants (general funds) rather than categorical grants (specific funds) are now fairly standard procedures across all federal agencies.

Given the commonalities, one might expect a more cohesive programme to combat unemployment. Yet the relationships among agencies, and particularly between those that emphasize education and those that emphasize development, is weak primarily because federal policy in the field was not "born" but rather pieced together from disparate programmes.

Vocational education, the elder statesman of training programmes, grew out of education policy rather than economic policy. As such, the primary responsibility for vocational education (and indeed all public education) lies with the local and State governments and not the federal government. Federal authorities put most of their scant resources (8 per cent of the total United States education budget) into the attainment of equity. In essence the federal education bureaucracy plays a watchdog role, directed toward assuring compliance with their conception of fairness. Consequently the federal government has a difficult time instituting any education policy aimed at something other than "equal educational opportunity".

Other employment training programmes and development programmes emerged from more recent events such as the Civil Rights Movement, the Employment Act 1946 and the War on Poverty. Policies for local development, while not quite so diffused as education policies are also fragmented because they, too, began with divergent interests. Regional concerns, rural interests, business groups, the Civil Rights movement and not incidentally, the Great Depression, played a part in the evolution of programmes to achieve economic development.

Despite the many distinctions among programmes and the dispersion of authority, the rhetoric for increased co-operation and consolidation of resources still remains. Some of the most popular terms currently bandied about Washington are "articulation", "co-ordination", and "linkages". Grants abound for those attempting to study and solve the problems asserted to exist due to fragmentation and the lack of cohesive policy.

Yet by the very nature of the federal organisation those controlling the various bits behave as if they were adversaries. Each agency wants co-ordination but more importantly each wants to be the co-ordinator and none are willing to relinquish any of their limited funds (or power). Neither the Department of HEW nor the Department of Labour for instance, wants to turn over responsibility for vocational training to the other. Instead each vie to show that it is best suited for the task of occupational preparation.

This paper will examine both the national education policies and programmes in the United States which are intended to support local economic development and the federal policies and programmes for local economic development based upon a supply of trained/educated workers.

The paper will first briefly describe the specific Congressional Acts that provide for either vocational/occupational education or for economic development. Some background on their enactment and some of the assumptions on which they are predicated will be provided. The key pieces of federal legislation on the education and training side are: the Vocational Education Act of 1963 and the Comprehensive Education and Training Act of 1973. The main economic development acts are: the Small Business Act of 1958; the Public Works and Economic Development Act of 1965; the Economic Opportunity Act of 1964; the Appalachian Regional Development Act of 1965; the Rural Development Act 1972; and the Housing and Community Development Amendments of 1978. After this look at the legislative base, the following section will examine four models for local development. More specifically, there will be a discussion of the economic assumptions underlying divergent development models and an analysis of how existing policies and programmes support (or inhibit) each model. The four models to be considered include:

- Relocation: attracting business to less developed areas.
- Expansion: promoting growth of existing industry.
- Entrepreneurial: development of new locally-owned businesses.
- Public Service: creating public sector jobs which either continue existing public services or try to improve the "quality" of communities.

The last section of this report will summarise the effects of these programmes and policies and present a set of conclusions.

Before proceeding, a brief reference to definitions should be made. Education, for the purpose of this analysis, will be limited to vocational education and employment training. Although the quality of all public education is an important factor in the overall attractiveness of communities and their ability to attract and retain businesses, it is job-related education which is most directly tied to economic growth. Local development will also be restricted for the purpose of this analysis to economic development. The subject of the inquiry will be policies and programmes instituted to create a stable job market, so that those who wish to remain in their home communities have the opportunity to do so. Developing community services to improve the quality of life will be discussed only to the extent that they serve to promote economic growth.

I. THE LEGISLATIVE BASE FOR FEDERAL POLICY

This section will briefly describe the Federal programmes that support either education for local development or local development that is dependent on a trained workforce. The first two programmes, Vocational Education and CETA, purport to provide the education and training demanded by new and expanding industry. The next four, are development programmes that operate through units of government. The last two, the Small Business Act and the Equal Opportunity Act are also development policies but are directed to individual recipients rather than to local governments.

The discussion will consider the historical context for the introduction of the legislation creating these programmes; which aspects of the various legislative Acts relate most directly to education and local development; and the means by which the legislative intent is carried out in practice.

Vocational Education

There was a time in United States public school history when education was simply that - education. Teachers taught formal "book learning" while friends and family informally taught occupational skills outside the school. Youth, and particularly rural youth (since most of America was rural) were part of a family-based economy. In this era, education and local development were so logically intertwined that national policies were not necessary.

Industrialisation, however, changed that and by the end of the nineteenth century most formal education also included vocational training. Many reasons have been offered for this shift in our conception of education. On the one hand, traditionalists claim that it was a liberal attempt to expand education to include those less academically oriented and to provide a road out of poverty for the less advantaged, (who were then mainly immigrants)(1). On the other hand, revisionists argue that vocational education was a tracking devise created to provide a low-cost workforce and to maintain class distinctions(2).

Much of the impetus for the first federal intervention into education (the Smith-Hughes Act of 1917) did come from the business community at a time when industry was booming and immigrants were pouring into the eastern seaboard cities. A concern of the government and business was with supplying new skills needed to keep up with the demand. Local development per se was not a critical issue: the economy was expanding and sufficient aggregate demand existed - at least in the cities. A closer look, however, shows that many rural communities not only were missing out on the boom, but were reeling from the shock of the shift from an agricultural society to an industrial economy.

Jobs tended to be concentrated in or near cities. Often, there was nothing to replace the economic losses of the rural communities. As a result, migration of ambitious youth became the rule and formed a pattern that persisted for most of this century. Still, federal policy remained committed to a style of occupational training which stressed individual mobility and national (or regional) labour markets. Education policy was not directed at supporting local development and federal policy rarely reflected knowledge of or concern about the depletion of human resources occurring in the nation's rural regions.

The Smith-Hughes Act of 1917 was followed by a series of other vocational education legislation and amendments over a period of 40 years but the fundamental assumptions and goals did not change markedly. Rather, each subsequent legislative effort served primarily to reaffirm the importance of vocational education and to legitimate its role as an alternative education programme for the nation's non-college bound students. The success of this strategy can be seen in the fact that today more than 30 per cent of all secondary level students in the United States are considered "vocational" students while an additional 50 per cent are enrolled in one or more vocational courses.

However, the decade of the 1960s was a turbulent one in the social history of the United States and even vocational education was forced to acquire a new set of priorities. Spurred by the Civil Rights Movement and the War on Poverty, the Vocational Education Act of 1963 both expanded the available funding (from $54 million in 1964 to $255 million in 1968 to $720 million in 1979) and shifted the mandate. From a fairly straightforward policy designed to satisfy the nation's demand for skilled and semi-skilled workers, vocational education in the 1960s came to be regarded as yet another "weapon" in the social policy "arsenal" of the federal government's War on Poverty.

Increasingly, federal legislation and regulations mandated that the "disadvantaged" and the "handicapped" be given priority in the distribution of vocational education funds. The federal government now mandates that <u>at least 20 per cent</u> of the vocational education funds passed along to State governments (and then distributed once again to local school districts by the States) must be spent on the extra costs of educating disadvantaged students (defined economically, educationally and even linguistically) and that at least 10 per cent be spent on the extra costs of educating handicapped students. Additionally the federal legislation seeks to ensure that State funding formulas give preference to relatively low wealth local districts, to districts with a high concentration of low-income families and to schools in economically depressed areas.

It must be noted that federal legislation in the United States is more or less neutral on the specific strategies to be employed in local vocational education programmes. In fact, the Vocational Education Act of 1963 (and subsequent amendments) contains quite explicit requirements for local and State advisory boards, local and State planning, and other such accountability measures. Nevertheless, two things remain true: first, federal legislation does little to encourage a direct connection between vocational education and local economic development and second, that given this lack of national-level encouragement, vocational education is not even coming close to realising its considerable potential as a force for the rejuvenation of economically troubled communities and as an effective bridge between local education and local economic development.

Comprehensive Employment and Training Act of 1973

The most ambitious employment training programme ever attempted in the United States is the Comprehensive Employment and Training Act of 1973. The purpose of CETA is:

> "to provide job training and employment opportunities for economically disadvantaged, unemployed, or underemployed persons which will result in an increase in their earned income, and to assure that training and other services lead to maximum employment opportunities and enhance self-sufficiency by establishing a flexible, co-ordinated and decentralised system of Federal, State, and local programs. It is further the purpose of this Act to provide for the maximum feasible co-ordination ... with economic development, community development, and related activities such as vocational education ..."

The government authorised $10.6 billion for 1979, making CETA the largest programme dealing with unemployment through either education or development. As such, it also has the loftiest goals. In nearly every national economic policy statement (e.g. the 1979 Economic Report of the President and the White House Conference on Balanced National Growth and Economic Development) CETA is charged with the primary responsibility for reducing unemployment.

Unlike vocational education, which evolved from the educational system and from education policy, CETA was designed specifically to treat economic problems. Hence the process is called "training" rather than the more encompassing term, "education" and does not need to fulfill all of the responsibilities of comprehensive education. It is a much more recent federal strategy. Until the rate of technological change reached some critical mass in the late fifties, education took place in schools and training took place on the job. By 1961, however, the unemployment rate in America was 6.7 per cent, technology was threatening to drastically alter the workplace, and there was a growing concern with eliminating discrimination and poverty. The Congress responded by enacting the

Manpower Development and Training Act of 1962 (MDTA) under the auspices of the Department of Labour and authorised about $20 million for training either in vocational schools or on-the-job. Between 1962 and 1970 about two-thirds of the participants were in vocational schools and the other third on-the-job. By the early seventies there was a reorientation of federal policy toward decentralisation. Simultaneously there was a shift in preference for training on-the-job rather than in schools.

The initial manpower training bill had a very different focus than its current progeny. It restricted participation to male heads of households with at least three years' experience and included other qualifications which contradicted the equity aims of the Congress. Such limitations quite obviously restricted its relevance for youth, women and the hard-core unemployed. Amendments in subsequent years relaxed the requirements and targeted more funds to youth and the disadvantaged. Yet many still questioned whether the Act was reaching those most in need.

MDTA was not the only attempt at employment training. At the same time that MDTA was getting off the ground, other federal agencies were beginning similar training programmes. According to a report of the National Manpower Commission, "It became increasingly apparent that the nation's employment and training efforts were fragmented, duplicative and in need of reorganisation if they were to meet their potential"(3). The 1973 CETA legislation was an attempt to reorganise these efforts. Authority for employment and training was consolidated under the Department of Labour with CETA, but the bill was also an attempt to decentralise the decision-making and responsibility to State and local units. The original CETA bill shifted authority for planning, implementation and monitoring to about 450 State and local units designated to receive funds. Federal funds were now distributed by formula to the local level, to be used at the discretion of local agencies within the guidelines set down in the Act and in the federal regulations accompanying the Act.

The consolidation, however, did not extend to those programmes within the education system - including most prominently vocational education. There are still both basic philosophical differences and bureaucratic jealousies that keep these two programmes separate and distinct.

The CETA Act itself is organised under eight sections, or "Titles". Title I lays out the administrative provisions including who may be a recipient of funds (i.e. a "prime sponsor") and who must participate in the planning process. Prime sponsors may be: (1) units of local government with a population of 100,000 or more; (2) consortia of units of government with one having a population of 100,000 or more; (3) units of local government or consortia which serve a substantial part of a labour market area or a rural area with high

unemployment; (4) concentrated employment programmes serving rural areas; (5) units previously designated as prime sponsors; or (6) the State.

Each State must have a State Employment and Training Council to co-ordinate activities throughout the State and each prime sponsor must have an appointed Employment and Training Planning Council. They have to include representatives of target populations, community organisations, management, labour and other public agencies. The State Council also has to have representatives from each prime sponsor. Every prime sponsor must submit to the Department of Labour an annual plan for approval, showing how their money will be allocated and spent. Additionally, each prime sponsor has to form a Private Industry Council (PIC) composed of local business, labour and community leaders, to act as a clearinghouse for jobs and applicants.

The bulk of the available monies are allocated under Title II. State and local programme funds are distributed according to a formula based on prior allocations, the relative number of unemployed persons, and the relative number of low-income families. Beyond the basic formula, 6 per cent of Title II monies are for vocational education assistance and a slightly lower amount is reserved for the United States Secretary of Labour and the State Governors for programme co-ordination, special services, and other discretionary expenditures. (The basic grant may, of course, also be transferred to vocational education agencies for training).

Titles III and VII of the Act provide services for "special need" target populations. In Title III these include offenders, handicapped persons, women, youth, displaced homemakers, older workers and individuals who lack education credentials. Title VII encourages private sector opportunities for economically disadvantaged individuals.

The purpose of Title VI is temporary employment during periods of high unemployment. While employment training policies generally concern themselves with structural unemployment, this section was included as a countercyclical measure. It becomes operative whenever national unemployment rates are over 4 per cent - a figure that the United States has consistently exceeded since the legislation passed in 1973.

By 1976, it had become apparent that the youth unemployment rates far exceeded adult rates and a new main target of CETA should be "youth unemployment". In 1977 the Congress amended the CETA legislation in order to introduce a number of new or expanded youth employment and training programmes aimed at alleviating the persistent high unemployment found among youth - particularly minority group youth in the nation's inner cities. The programmes include youth in conservation work, in community development projects and special innovative demonstration projects. The funding level has been about $1.5 billion per year.

Consistent with the demands for participatory planning, the new bill requires each prime sponsor to form a youth council which includes representatives from education, vocational education, business, unions, employment agencies, and even youth themselves! These planning groups have functions similar to those of the Employment and Training Planning Councils.

Because CETA, in general, and its youth component, in particular, are so new it is difficult to assess what effects on education and local development are (or could be) occurring. Clearly though, CETA (like vocational education) has the potential to be a powerful mechanism for local revitalisation. The evidence of CETA's accomplishments in this area is largely anecdotal and encompasses results of both a positive and negative nature. Any definitive judgement must reasonably be delayed until the more systematic analyses of CETA currently underway have been completed.

Public Works and Economic Development Act of 1965

The Public Works and Economic Development Act (PWEDA) of 1965, run by the Economic Development Administration of the Department of Commerce, is the largest single government programme directed specifically toward economic development. It is designed to:

> "help areas and regions of substantial and persistent unemployment and underemployment to take effective steps in planning and financing their public works and economic development; ... (to) enable such areas to help themselves achieve lasting improvement and enhance the domestic prosperity by the establishment of stable and diversified local economies ..."

The policies to reduce unemployment by supporting potentially job-creating development operations are very different from the policies of MDTA. The assumption implicit in economic development to reduce unemployment is that the problem lies within the economic system rather than within the individual.

The Public Works and Economic Development Act supplanted the Area Redevelopment Act of 1961, which was enacted during the Kennedy Administration to create jobs in areas whose growth had lagged behind the rest of the nation. The Accelerated Public Works (APW) programme and the Area Redevelopment Administration (ARA) were established to provide loans for new job creating enterprises and for public facilities, for technical assistance and for retraining programmes for new jobs. Between 1961 and 1965 about 120,000 jobs were created by ARA and about 200,000 by APW.

The major criticism of ARA was not that its goals were off base but that there was never quite enough money available to overcome local economic problems. The funds were spread

too thinly and there was little co-ordination among local recipients. It never really developed beyond the experimental stage(4).

PWEDA, too, has been underfunded. Consequently in the early years funds were concentrated in "worst first" areas to maximise the impact. This was, however, inconsistent with the notion of concentrating funds in growth centres. Although appropriations have increased over the years, funds are still concentrated in those development areas, where

> "there has existed substantial and persistent unemployment for an extended period of time and those areas in which he (the Secretary of Commerce) determines there has been a substantial loss of population due to lack of employment opportunity."

The redevelopment areas receiving assistance are designated by the Secretary based on several measures: (1) unemployment rates; (2) median income; (3) threat of abrupt loss of employment; (4) rural areas with substantial outmigration, and (5) large concentrations of low-income people. To give a broader scope to the economic planning, redevelopment areas are combined to form "economic development districts", each of which must include a centre with growth potential necessary for the district to eventually become self-sufficient. Districts that are related economically, culturally, geographically and historically are further combined to "economic development regions" (See Figure 1).

This Act is the largest, single government programme directed specifically toward economic development. Most of the funds, however, do not go directly to economic expansion but rather to community improvements such as roads, water and sewer lines and industrial parks. These grants are supposed to show long-term benefits by improving the attractiveness for future industrial expansion or new business enterprises. In the areas with excessively high rates of unemployment these grants are more likely to create immediate jobs.

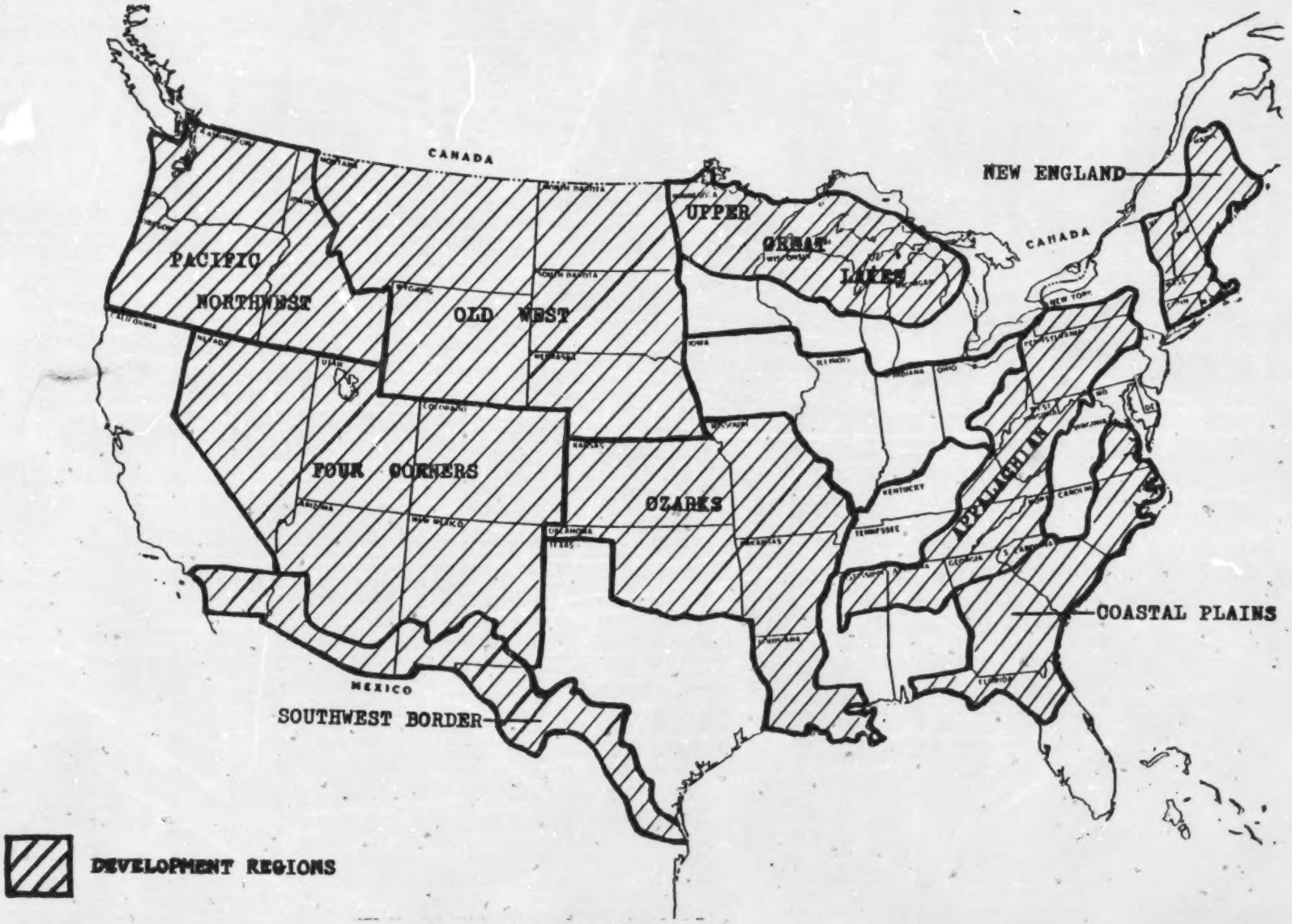
Title I of the Act provides for grants covering up to 80 per cent of development projects funded and Title II provides direct loans and guarantees private loans. To prevent any new project from creating jobs by simply relocating businesses, funds cannot be used to assist business relocation.

The Appalachian Regional Development Act of 1965

The Appalachian Regional Development Act was passed by Congress in 1965, shortly after President Kennedy had formed his Appalachian Regional Commission. Congress was convinced that Appalachia (which includes all of West Virginia and parts of twelve other eastern States and comprises almost 10 per cent of the United States population) had failed to develop to the potential indicated by its rich supply of natural resources. It was, therefore, much less prosperous than it was

Figure 1

Economic Development Regions in the U.S.A.



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felt it could and should be. As the Act states, the region "... has failed to provide the economic base that is a vital prerequisite for vigorous, self-sustaining growth".

The Commission is not strictly a federal agency, but a co-operative organisation including the Appalachian States and the federal government. Because of the depressed state of so much of the region, it is considered apart from the other economic development regions of EDA. This Act, too, is intended to focus resources on potential growth centres in hopes that the growth will eventually be diffused throughout the region, yet much of the Act's resources were (and still are) directed toward improving the area in preparation for economic growth, rather than directly supporting development. Part A of Title II provides for highway construction, demonstration health projects, land stabilization, conservation and erosion control, water resource surveys, housing assistance, and airport safety improvements.

Part B of Title II applies more directly to education and development. Section 211 provides monies for vocational education facilities and for vocational and technical education demonstration projects. The funds reached their peak in 1970-73, when more than $100 million was spent on new vocational facilities. The assumption was that the area did not have the facilities to provide the training needed to support new industry. However, the results of such a capital-intensive reform strategy are now evident. Appalachia is now inundated with large, centralised area vocational centres, and ARC funds are being reoriented (and reduced).

While the Act is obviously designed to promote economic growth it is, by legislative intent limited to community development rather than economic development. The programme development criteria for example, prohibit any direct financial assistance to help businesses in relocating, or to finance costs of industrial plants, commercial facilities, machinery or working capital. The Act also excludes financing the costs of facilities for electrical energy or distribution of gas so that new industry would utilise the major energy resources of the region, i.e. coal.

Housing and Community Development Amendments of 1978

For most of this century cities were the showplace of American progress. Even the reality of poverty among large segments of the early 20th Century immigrant population was mitigated by the growth of labour-intensive industries that could absorb much of the new workforce. But when the newer immigrants of recent years were poor and non-white and when service occupations increasingly displaced factory jobs, urban unemployment and relative poverty increased geometrically. To focus particularly on the problems of urban decay, the Department of Housing and Urban Development was formed in 1965 under the Johnson administration.

The Department was initially concerned mostly with housing programmes and redevelopment and administered a collection of programmes supplying loans and grants intended to make the cities more livable. In 1974, however, the Congress, in the spirit of increasing local responsibility for solving their own specific problems moved more and more toward revenue sharing and consolidated grants. The Housing and Community Development Amendments of 1978 revamped the funding process, resulting in block grant entitlements for which no application was necessary. Although the Amendments concentrate heavily on housing, there is a growing concern with local economic development.

Since 1974, activities that had been funded under separate programmes were merged into Community Development Block Grants. Cities with a population of over 50,000; counties with a population of over 200,000; all cities formerly part of the Model Cities Programme; and all areas previously served by HUD were declared automatically eligible. Under the most recent Amendments, the block grants are distributed according to a need-based formula that takes into account poverty (50 per cent), age of housing (30 per cent), and economic growth "lag" (20 per cent). Furthermore, cities can no longer be declared ineligible due to size. After setting aside 3 per cent of the funding for the Secretary to use for technical assistance, disaster assistance and Indian assistance, 80 per cent is allocated to metropolitan areas and 20 per cent to non-metropolitan areas. The grants are quite flexible and can be used by private non-profit entities, neighbourhood groups, or local development corporations for either commercial revitalisation or economic development (in addition to the more traditional HUD community development projects).

The block grants legislation contains very explicit requirements for citizen participation. Recipients must hold public hearings to air their proposals and demonstrate that citizens have been adequately informed about what is to occur, have helped shape the plans and have had an opportunity to review and criticise the plans.

Title I of the Amendments also contains provisions for Urban Development Action Grants to revitalise local economies through joint public and private investments. These grants are given to applicants who meet the criteria of economic and physical distress (e.g. population outmigration, stagnating or declining tax base and low income). Programmes are expected to attract private investment and thus to stimulate economic growth.

Besides Title I of the 1978 Amendments, two more sections were enacted that reoriented the focus on housing more toward local development. Title VI and VII - Neighborhood Reinvestment Corporations and Neighborhood Self-Help Divisions were included to "provide grants and other forms of assistance to qualified neighbourhood organisations to undertake specific housing, economic or community development, and other appropriate conservation and revitalisation projects in low and

moderate-income neighborhoods". This includes "conservation and revitalisation of neighborhood retail business areas and the recycling of vacant or underutilised industrial sites, public facilities and privately-owned businesses for the purpose of expanding employment opportunities and neighborhood economic development".

Rural Development Act of 1972

The Rural Development Act of 1972 represents an attempt by the Congress to maintain a "balance" between urban and rural development. After many years of preparing people for movement to the cities in order to ease the problem of rural poverty, there has been a decided shift in policy. This new law ostensibly reoriented policy 180 degrees, from urban development as a solution to the "rural problem", to rural development as a solution to the growing "urban problem". This shift had been promised, but not implemented, in the Agricultural Act of 1970. Backing for the 1972 Act came from urban Congressmen trying to slow the migration to the overcrowded cities as well as from rural Congressmen concerned with revitalising rural areas. In contrast to the urban industrialisation characterising the first half of the century this Act sought to disperse industry and population rather than concentrating it. Thus while the Act was explicitly a rural policy, it was also implicitly a policy designed to reduce urban problems as well(5).

The Rural Development Act also differed from its urban counterparts in another important sense. Funds are distributed according to measures of population alone, with no consideration of need. By implication, the entire rural population is, ipso facto, considered disadvantaged - a notion which (for different reasons) angered both urban and rural activists.

As one might predict for a programme emerging from agricultural policy, the Act concentrated quite heavily on agricultural development. The terms rural and agricultural are still synonomous in the minds of many, even though farming is the principal occupation for only about 10 per cent of the United States rural labour force. Title I of the Act is an amendment of the Consolidated Farmers' Home Administration Act of 1961 and provides funds for such diverse activities as rural water and waste disposal, fire protection, housing loans, insurance, agricultural credit, community planning grants and community facilities grants for towns of less than 10,000. Section 118 - Rural Industrialisation Assistance - was amended, however, to provide grants to facilitate rural industrialisation.

One of the more creative sections of the newest version of the Act is Title V. Essentially a research and technical assistance programme, it is the most relevant to non-agricultural development(6). Its purpose is to provide the basis for more effective rural development rather than directly supporting local development. Operating through the extension programmes of the land grant colleges (the oldest institutionalised vehicle for training and development in America),

Title V supports experimental programmes and a variety of innovative rural projects. Since one of the stated objectives of the Act is the improvement of income and employment opportunities, a large number of the projects have been related to employment and human resources. This section of the Act has, in fact, suggested a shift in emphasis from traditional agricultural research and development to more comprehensive rural economic development strategies.

One interesting feature of Title V is that, almost anyone is eligible to receive funds. Recipients can be government units, regional agencies, businesses, industry, local organisations, etc. The deciding factor is the use to which the funds are put and the potential employment opportunities they present. The funds are distributed among the States by formula: 20 per cent equally among States; 33 per cent in proportion to the States' farm population; 33 per cent in proportion to the States' rural population; 10 per cent to co-operative interstate programmes; and 4 per cent for national co-ordination and administration.

A major criticism of the Act is that although it contains worthy objectives for rural populations it lacks not only the funds to have any appreciable effect, but also an adequate framework for implementation. The Act was pieced together from fragments of many programmes and is lodged in an agency dedicated not to rural development but rather to agricultural policy.

Economic Opportunity Act of 1964

Given the heavy federal emphasis on reducing poverty today, one tends to forget how recent this policy is. Prior to the early sixties poverty was not considered to be a national concern, and there were few statistics to even measure its impact. In the late fifties and early sixties, Galbraith, Harrington and others reminded Americans, through their writings, of the extent of poverty amidst the seeming affluence. There were essentially two views on the cause: that it was cultural and policies should be directed toward the families and that it was environmental, in which case policies should be aimed at employment and occupations. When President Johnson declared "War on Poverty", it was the second view which prevailed. The Economic Opportunity Act of 1964 was supposed to

> "eliminate the paradox of poverty in the midst of plenty in this Nation by opening to everyone the opportunity to work, and the opportunity to live in decency and dignity."

This altrustic but ambitious objective required a broad set of policies that included programmes for compensatory education, community revitalisation, health services and economic development. The programme was originally administered by the Office of Economic Opportunity (OEO) but later, when OEO was dismantled, was transferred to its successor, the

Community Services Administration (CSA). The programmes operate locally through Community Action Agencies, which may be States, subdivisions of States, combinations of subdivisions, or various government-sanctioned non-profit agencies.

A "community action programme" is a set of community-based projects that together can have a "measurable and potentially major impact on the causes of poverty" in areas with high concentrations of poverty. Community, in this Act, refers not only to particular urban neighbourhoods but also to large rural county (or multi-county) units.

The section of the Act most directly related to economic growth is Title VII, Community Economic Development. Its purpose is to

> "encourage the development of special programs by which the residents of urban and rural low-income areas may, through self-help and mobilization of the community at large, with appropriate Federal assistance, improve the quality of their economic and social participation in community life in such a way as to contribute to the elimination of poverty and the establishment of permanent economic and social benefits."

The principal vehicle for this model is the Community Development Corporation, or "CDC". Under the provisions of the Act, these are non-profit organisations established by and responsible to the residents of the area they serve. Under Part A, entitled "Urban and Rural Special Impact Programmes", financial assistance is provided to programmes to start, expand or locate business in or near the area served, to improve community services and to provide training and public service employment for the unemployed and for low-income families. Part B provides funds for special rural programmes to "encourage low-income families to pool their talents and resources so as to create and expand rural economic enterprises" - in other words, to promote co-operatives. Part C provides resources for Development loans to Community Economic Development programmes. Part D supports the programmes with technical assistance to CDCs and to urban and rural co-operatives. It also assists them in obtaining additional support from other agencies such as SBA, HUD, CETA or private sources.

The 40 Community Development Co-operatives created during the past decade represent a policy shift by the federal government. Money is funneled directly to local community groups rather than through State or other governmental units. The assumption is that local control will be more responsive not only to the monetary costs of production but also to the non-monetary costs borne by the surrounding community. Despite the success stories published in CSA brochures, all attempts have not been successful. Of all CDCs in operation between July, 1974 and July, 1975, 70 per cent showed net losses(7). Yet, given the number of demonstrable successes and the basic

validity of the CDC strategy, there are solid justifications for moving this programme from its "demonstration" phase into a more stable and easily replicable position.

Small Business Act of 1958

One of the first direct federal programmes that boosted local economic growth was the Small Business Act of 1958. It was enacted to counsel, assist and protect the interests of small business against the expanding oligopolistic nature of American business and the multinational corporations. The Small Business Administration (SBA) is authorised to make loans to State and local development agencies. These funds are then used both to assist small, local businesses and to encourage other private lending institutions to expand their role in small-scale, locally-based economic development.

The agency is essentially an advocate for small businesses, distributing its funds to support not only independent development, but the programmes of other agencies. The criteria for being a "small business" are (1) it must be independently-owned and operated; (2) it must not be dominant in its field; and (3) it must have either few employees or low sales compared to leaders in its field. This definition is loose enough so that over 97 per cent of all United States businesses can be classified as small. The SBA is an attempt by the government to maintain the "capitalist spirit" and to give the small business or new business a fighting chance against the "Fortune 500" corporations and all their subsidiaries. Yet even with this support, a large number (about 80 per cent) of small businesses fail. Still, SBA provides a faint glimmer of hope for the undercapitalised entrepreneur.

II. MODELS OF ECONOMIC DEVELOPMENT

Economic development policies eminate from many different sources and different perspectives, each of which may lead to a variety of forms of economic growth. Depending on the policies pursued, the mode of development encouraged can be competitive or co-operative, large-scale or small-scale, public or private, locally-owned or externally-owned. There are, however, some dominant structural models stimulated by the various federal programmes.

One is the relocation model, which uses federal funds to attract industry or business to a new site. Support for this kind of growth is exemplified by the use of programmes supported by the Vocational Education Act. Another model is expansion, or the use of federal funds to promote the growth of existing businesses. The Rural Development Act, the Small Business Act and the Public Works and Economic Development Act stimulate expansion through grants and loans to existing local businesses. A third mode of development is the entrepreneurial model, in which local residents and community organisations are encouraged to initiate new business entreprises. The Special Impact Programmes of the Economic Opportunity Act

promotes local ownership through Community Development Corporations (CDCs). The Housing and Urban Development Act and the Small Business Act also support new, locally-owned enterprises. Still another form of development is the public service model, supported by both CETA and PWEDA primarily to deal with cyclical unemployment. Federal programmes can encourage or discourage economic development in more indirect ways (such as community revitalisation), but the four general models can be used to describe most direct efforts.

The Relocation Model

The relocation model is supported principally by the Vocational Education Act, although the support is not explicit in the Act itself. It comes, instead, from the often strident efforts of the States and local districts themselves, as they compete for industrial plants. Departments of Commerce in almost every State use federally-funded vocational education centres to woo corporations searching for locations for new plants or to relocate existing but unprofitable plants. Despite the fact that technically, federal funds are not to be used for interstate competition it is impossible to distinguish the federally-funded elements from the complete programme. And with the stakes growing higher in a slow-growth economy there is more and more pressure to compete against other States for businesses bearing new jobs.

A vocationally-trained, low-cost labour force is obviously a strong incentive and a publically subsidised training programme is a major weapon in the job wars. Three examples drawn from State-sponsored glossy economic "sales" brochures make the point:

> "Maryland's Standing Offer to Industry: If you need trained manpower the State will provide the means to get it. The programme will help the businessmen recruit the right people and will fund training ... or the State Division of Vocational-Technical Education may work out a plan with the firm to share costs, rentals, equipment. It's a flexible program and the point is to adapt assistance to the needs of industry."
>
> "Kentucky's work force is productive. Over 70 public vocational technical schools, within 25 miles of every industry in the State, offer training in a wide variety of industrial skills. The State schools will train workers in specific job skills or, by arrangement with industry, the vocational-technical schools will train workers for specific operations."
>
> "To help industry to continue to grow, the Pennsylvania Department of Commerce in co-operation with the Department of Education provides training for new or expanding industry .. This Commonwealth also provides custom-trained work forces for specific plants, and will defray participants' costs of administration, instruction and materials."

CETA, too, offers incentives to new industries in the form of wage and training subsidies. Under the right conditions, business can obtain workers while the government pays part of their wages either directly or through tax incentive wages. Title III and the youth programmes of CETA both provide wage subsidies for up to one year on the job.

Prompted by the States' slick advertising techniques, vocational educators are beginning to pick up on the need for job creation to supplement job training. An editorial in a recent issue of a journal of the Association for Vocational Education devoted to that subject pointed out that:

> the availability of intensified education programs designed to prepare people for work has made the difference when State and community leaders have gone out in search of industry to bring back home. The promise of a properly trained workforce to draw upon has often been the deciding factor(8).

Pressure to improve the job placement rates of graduates makes education and training programmes key drawing cards for industrial migration. Unfortunately other factors that impress industry - low wages and absence of labour unions - do not work to the employees' advantage. Many communities in fact discourage any new businesses that pay higher wages than other local businesses. New jobs may come at the expense of an unknown worker somewhere else and industries with no real roots in a community often leave as abruptly as they come(9).

The programmes that support economic development are less supportive of the relocation model than are CETA and the Vocational Education Act. The Economic Development and Community Services Administrations are charged with contributing to the solution of national problems, and cannot rely on just removing jobs from one locality to create new jobs in another. The fact that the dollars in EDA and CSA programmes are not distributed through the States also minimises State and local rivalry for jobs. The Economic Development Administration is, in fact, prohibited from using funds for new businesses that either actually, or potentially, remove jobs from another location.

The development policies can make communities more attractive to businesses. The Rural Development Act, the Appalachian Regional Development Act and PWEDA all provide community development projects which have as their implicit goals eventual economic growth. The improvement of transportation, sewage systems, health care and the construction of industrial parks are obviously designed to set the stage for growth. Although these efforts may not, in and of themselves, attract new industry, they are viewed as the necessary preconditions to accompany the direct economic incentives.

The Expansion Model

The expansion model differs from the relocation model only because it implies new or additional output (and thus jobs). It is, like the relocation model, part of a competitive growth system in which businesses normally make decisions based on maximising economic payoffs. Except in the instances of small businesses with strong local ties, rates of return on investments dictate investment decisions. Yet some of the economic factors are also environmental. Is there sufficient power and waste disposal at hand? Would the key personnel be willing to locate there or does an adequate labour supply exist? Public policy thus can influence decisions by shifting the economic advantages that accrue from local conditions. In order for programmes to entice businesses into expanding their operations or simply not move away from depressed areas, they must somehow offset the costs of staying in these often undesirable areas.

The Public Works and Economic Development Act intervenes in business decisions by providing financial assistance to businesses in locations with substantial rates of unemployment and under-employment (or in otherwise depressed areas) to make them more attractive for potential investments. While the funds cannot be used for relocation of existing business, if it can be shown that new jobs are being created the Act can make available loans, loan guarantees and grants. The Economic Opportunity Act, through CSA, also has funds for business expansion in areas with high rates of poverty.

CETA, too, can be used to attract expanding industries. While this is not the primary intent of the programme, the fact that it may provide subsidised training, and even employment for up to a year, makes it a likely lure for the State to use. Massachusetts, for instance, reports that:

> Through the innovative use of federal funds provided to Massachusetts under the Comprehensive Employment and Training Act (CETA), the Commonwealth has initiated a pilot customised training program. This program, which will provide training assistance to specific expanding firms, will serve to realise skill requirements of growing businesses, while also serving to accelerate business expansion plans(10).

The Entrepreneurial Model

Many of the resources for the two models just described go to large-scale business but there is another model of development concerned more directly with smaller, community-based business enterprises. The entrepreneurial model supports locally-owned business on the assumption that it will more directly benefit the community in which it is located than will satellite plants controlled elsewhere.

Jobs, for instance are much more likely to be filled locally. Even more importantly, community-based business will have to take into account the external effects of the business on the community, e.g. profits are normally reinvested locally and the local environmental/social impacts will be more likely to be considered. Psychologically, such ventures tend to generate local pride and thus accelerate related growth.

There are few restrictions on the types of business arrangements that fall under the Acts supporting this economic model. Both for-profit, highly competitve business and non-profit co-operatives are sanctioned. Co-operatives are, in fact, encouraged (in theory, if not in practice) in areas with scarce resources(11).

The Small Business Administration, of course, supports entrepreneurs through its loan programmes, yet SBA is geared toward the individual business enterprise. It does not explicitly direct its efforts toward community revitalisation and thus cannot claim a major commitment to local development. The Community Services Administration, on the other hand, advocates an entrepreneurial model that encompasses entire communities. CSA's economic development programmes are administered through Title VII Special Impact Programmes. Designed to provide a lasting economic base, these programmes are distinguished from programmes of other agencies by the facts that they are (a) community-based; (b) poverty-oriented; (c) comprehensive, including even social services; and (d) eligible for grants for venture capital. CSA has already invested more than $40 million in the first Community Development Corporation (CDC), the Bedford-Stuyvesant (NY) Restoration Corporation. The CDC has, in turn, loaned money to minority entrepreneurs, provided home mortgage money, developed large commercial centres, housing projects and job placement and training assistance. The Delta Foundation, another CDC in Greenville, Mississippi, has established a blue jeans factory, a metal stamping plant, a fan manufacturing company and a chain of co-operatively-owned supermarkets. Total sales for Delta should be over $8 million this year, with total employment over 300(12).

One of the most successful CDCs is the East Los Angeles Community Union (TELACU), originally funded in 1968 by OEO. Their idea was to apply labour organising techniques to organising a stagnating Hispanic community. While many federal agencies were attempting to patch up the health, education, housing, etc, problems, the new CDC went to the root of the problem. Beginning with housing, they hired local residents, provided on-the-job training and began building low-income housing. They quickly branched out into: TELACU Investment Co., to help finance small minority businesses; TELACU Currency Exchange, Inc., a chain of food stamp redemption centres; Community Thrift and Loan; a Business Development Office, for technical assistance; and a Community Research Group. Their most ambitious project, now underway, is a 50 acre industrial park for seven new manufacturing plants employing 2,000 people(13).

The Vocational Education Act also supports new business enterprises although limited to student businesses. As a consequence these efforts are based on different assumptions and, not surprisingly, produces rather different results. Their purpose is to create a more realistic, and therefore more effective, training setting to serve the individual rather than attempting to serve the community at large through local economic development. Some vocational education schools have formed businesses for on-the-job training, particularly in the building trades where students build or renovate and then sell houses. Most of these enterprises are not designed to create new jobs locally but are organised and planned by local business leaders as community service activities. They may, in fact, contribute to unemployment by competing with local industry. There is nothing in the Vocational Education Act itself that actively promotes new local entrepreneurial activities, or even direct job creation programmes. The programme depends predominantly on the private sector and public service to create the jobs for vocational education graduates.

CETA, on the other hand, offers more opportunities for new community business enterprises, although it is a recent redirection of policy. The Youth Employment and Demonstration Programme Act (YEDPA) has encouraged a model suggested by Jonathan Sher in Education in Rural America: A Reassessment of the Conventional Wisdom - the school-based CDC. As a result there have been a few scattered attempts to support vocational institutions or comprehensive high schools in establishing self-sufficient business enterprises. One demonstration recently funded is a project in Valdosta, Georgia, in which four businesses have been started through the public school system.

The Act itself has, in past years, actually prohibited the use of CETA funds for venture capital and any profits had to be used to offset the programme money. In 1977, however, a CETA prime sponsor in Massachusetts, with the active support, of the then-Governor Michael Dukakis, convinced the Employment and Training Administration to allow the reinvestment of funds into the business. As a result DOL policy has been revised to encourage the use of CETA funds for new business ventures. This has carried over into the Youth Employment and Demonstration Project Act (YEDPA), which strongly encourages reinvestment of profits.

Quite recently HUD, with the strong support of Assistant Secretary Geno Baroni (a long-time supporter of neighbourhood autonomy) also began to actively support community development models similar to CSA's. Both CSA and HUD encourage integrated community development projects - combining new business formation with community revitalisation and demanding local participation in all phases of the projects. Twenty-one HUD community grants of this new type were recently awarded. Furthermore, HUD has even worked out co-operative arrangements with EDA and SBA and the grantees applied for CETA workers in order to maximise the impact of the grants and the chance for success.

The secret of those projects that did succeed was to a large degree the ability of the recipients to creatively parlay their funds into larger sums. For example one neighbourhood project, the River East Economic Revitalisation Corporation of Toledo, Ohio, used their grant to generate more than $5 million for use in a six-block business district by inducing private businesses and philanthropic organisations to more than match their $2.6 million federal dollars.

Another example is the Asian-American Institute for Assistance to Neighbourhoods (Asian, Inc.), operated in San Francisco for community planning and aid to small Asian businesses. They help package proposals for local businesses and have established a CETA-funded design business to design, construct and repair local non-profit establishments(14).

The Public Service Model

The fourth way in which the government can create employment opportunities and economic growth is by expanding the public sector. Ever since the work relief programmes of the Great Depression, public service has been viewed as a legitimate option to stimulate the economy. It was not until the 1960s however, that it was used very extensively. The federal funds are somewhat unpredictable. Programmes go into operation when the national unemployment rate reaches some given level - which is, itself, subject to change.

CETA supports the largest job creation programme with Title VI, Countercyclical Public Service Employment Programme and with Title II. In 1973, 1.2 million people were enrolled in CETA public service jobs - 36 per cent of the total CETA enrolment.

The effectiveness of federal programmes in reducing unemployment is debatable. Critics claim that the local governments only use CETA funds to create jobs which they would have funded themselves had federal money not been available and thus, does not really create new jobs. In instances where real employment is expanded, special skills are not necessarily transferrable to jobs outside the programmes. In addition, the goal of public service employment to specifically serve the disadvantaged has not been met. In the 1970s, the representation of target populations in these programmes was not significantly different from that in the labour force as a whole(15).

III. ANALYSIS

From the preceding description of federal legislation and federal programmes, it is evident that local development, per se, is not the central goal. Local development is, instead, a byproduct of policies seeking to either reduce unemployment or eliminate poverty. The programmes are instruments of social reform striving toward improving the lot of both underdeveloped sections of the country and underprivileged individuals. The

continuing decline of America's inner cities and remote rural areas is attributed to inadequate resources - human and/or financial. The result is embarrassingly visible in the United States for poverty, even rural poverty, is difficult to hide.

Despite common national goals, federal diagnoses of the problem and subsequent action strategies vary greatly. As suggested earlier, some federal policy-makers think that the answer lies within the education system and consequently advocate various means to upgrade skills which will increase productivity. Others contend that if the national economy can be sufficiently stimulated, the benefits will eventually filter down to reach even the most disenfranchised population groups. In addition, there is a third school of thought which contends that the problem is not insufficient demand but rather a maldistribution of resources which explains why the United States can have poverty and unemployment even in the midst of prosperity.

These different assumptions about the nature of the problem affect where federal resources are concentrated, how they are distributed among various special populations, and toward what ends such resources are being employed. While the programmes of various departments should be mutually supportive, such is often not the case. Different perspectives can (and with alarming frequency, do) create a self-defeating dissonance and competition both among federal agencies and among the intended beneficiaries of federal assistance. Tensions exist between urban and rural regions, between South and North, between liberals and conservatives and between business and labour - all of which may be understandable but none of which contribute to a lasting solution of the nation's passing problems.

This section will examine policies that are implicit in the Acts that have been described, pointing out where programmes are mutually supportive, and where contradictions exist. The assumptions behind the programmes, the resource distribution processes, and the political views implicit in the programmes will be summarised and compared.

Some Underlying Assumptions

While the goals for which the policies were designed are as disparate as the organisations themselves, each programme must be consistent with current national policy in order to capture its share of the federal budget. At the close of the seventies, this means that each must address unemployment and, in particular, youth unemployment. In 1978 the Congress underlined its determination to fight unemployment with the Humphrey-Hawkins Full Employment and Balanced Budget Act, charging the government with achieving Full Employment. The Employment Act of 1946 previously had only committed the government to achieve maximum employment. The new task is clearly more challenging. The goal for the new bill is 4 per cent adult unemployment by 1983 - considered to be a reasonable

rate given seasonal and frictional unemployment. But policies also have to be non-inflationary, since low unemployment had been empirically associated with inflation, as demonstrated by the Phillips curve(16). Confounding the search for effective policies, the current experience of high unemployment and inflation are shattering the accepted "laws" of economics.

The agencies administering the various programmes must therefore be responsive to the priorities of the present Administration. At the same time, however, they must emphasize their uniqueness and try to maintain the integrity of the original intent of their programmes. As a result of their own histories, they view national problems from very different perspectives, which lead to the generation of different corrective devices.

The education and training programmes, for instance, assume that the deficiencies requiring treatment lie within the individual. This is, in effect, "blaming the victim", and they worry about inculcating the skills and correct work habits in the students first and creating jobs for students second. There are further distinctions between education and training. CETA finds jobs or occupations with employment potential for people and trains them to fill those positions. Vocational education first gives participants marketable skills (in tune with the best available estimates of projected occupational demand) and then sends them into the job market.

Development policies assume that the deficiency lies within the economy and thus find it necessary to provide a stimulus to business growth. They concern themselves with creating jobs and establishing the preconditions for economic growth in depressed areas, thinking about training only later. Yet for their policies to be successful they obviously require a trained labour force.

Among the development programmes, there are different perceptions of how to best stimulate local economic growth. HUD, ARC, and the Department of Agriculture concentrate on community development in order to achieve economic growth. The assumption is that a certain critical mass of economic and physical pre-conditions must be created before industrial expansion will occur. Housing, transportation and municipal services are the heart of their programmes with economic growth being the anticipated outcome of improved conditions. The Community Services Administration, the Small Business Administration and the Economic Development Administration, on the other hand, put their resources directly into community business ventures and use these to instigate further community improvements.

Despite these differences of emphasis, there is the common presumption that fair and intelligent capital investment will trigger economic growth and, eventually, self-sufficiency and community stability can be achieved in localities currently deemed to be marginal or depressed.

Co-ordination and Dissonance

With eight different agencies flailing away at unemployment and poverty some overlap and redundancy is unavoidable. Critics quickly point out the inefficiencies due to duplication of effort and fragmentation of resources. Some of this criticism is justified as a result of agencies attempting to expand their respective roles. But it would seem that there is enough poverty and unemployment in the United States to go around and keep everyone in business.

The "solution" to federal fragmentation is, of course, a consolidation into fewer agencies dealing with both education and local development. This would not, however, necessarily be more efficient. For one thing, consolidation leads to increased bureaucratisation and more distance between the programme administrators and the intended recipients of the programmes. And, it could be argued that some competition enhances progress and keeps those involved "on their toes" and ready to try new ideas.

One compromise is to create separate, but co-ordinated programmes that are mutually supportive. Although collaboration among programmes is mostly rhetorical, the advantages of co-operation are recognised by most in Washington, and some efforts have recently been made both by those distributing the resources (federal agencies) and by those receiving the resources (State and local entities). Thus there are two forms of co-operation frequently mandated, one involving formal co-ordination during the planning process and the other involving co-ordination of resources available to designated target areas. The latter is more easily addressed than the former.

The most serious new attempt at co-ordination has been between Vocational Education and CETA. The two jointly support the National and State Information Co-ordinating Committees to more effectively match skills with available jobs and each sits on the national and State advisory boards of the other. In 1979, 19 per cent of all CETA enrollees received their formal training in vocational education programmes and 6 per cent of Title II of CETA is set aside for supplemental vocational education assistance.

The Economic Opportunity Act also requires formal co-ordination. The Economic Opportunities Councils include heads of the other agencies in order to co-ordinate programmes, develop basic policies and set priorities. Also, the Appalachian Regional Commission and the Economic Development Administration are linked through their regional commissions.

Co-ordination has been more common at the receiving end, i.e. the local sites. Vocational education institutions do not only receive money from the Vocational Education Act and CETA.

Both the Appalachian Regional Commission and the Economic Development Administration have spent hundreds of millions of dollars building dozens of vocational education schools over the past decade. ARC funds are channelled through HEW, but EDA money goes directly to the schools. Unfortunately, pooling of resources for education is fading rather than growing and today there is little contact among the agencies. In the case of vocational training, non-HEW money is not even reported in State vocational education data systems.

CETA, with its huge share of the budget, is a target of most development programmes and is mentioned in most of the Acts as a source of labour for the start-up phase of new businesses. Some States even distribute guides on how to use CETA funds for local development. CETA-subsidised training and employment is often instrumental in new ventures that may be starting with borderline resources. Similarly, many new businesses depend on the Small Business Administration for loans during the early years.

A more common goal of federally funded development projects is a parlaying of the initial grants or loans into substantial amounts of money. Communities trying to build an adequate resource base also call on multiple programmes for support, Community development corporations are able to often pyramid HUD, CSA, EDA, and SBA funds to create enough resources to get through the start-up periods. For example, in 1978 nine community groups were given a total of $8 million from HUD and the Department of Labour. These included three CDCs funded by CSA. Eight other CDCs received Ford Foundation grants. The Rural Development Act provides for joint participation in loans and grants with SBA, EDA, HUD and State and local governments. And in 1978, as a result of President Carter's Urban Policy Statement, an Interagency Agreement between HUD, SBA and EDA was established to increase co-ordination of federal economic development(17). Thus, local development programmes appear to be more successfully co-ordinated among agencies than education and training programmes.

Distribution of Capital/Programme Support

Each programme attempts to find the most efficient means of achieving its goals. Differences in the way programmes do this, however, are more than procedural: they reflect different perceptions of just where the responsibility for dealing with unemployment lies.

The two basic differences in process are (1) who controls the funds and (2) according to what criteria they are allocated. The options currently available for the former are: individuals; institutions; business enterprises; government jurisdictions; and community organisations. While local control has been accepted as part of the Carter administration's "conventional" politics, who receives the money to a large degree determines the locus of power. The options in terms of criteria for the distribution of federal funds include: wealth (or some proxy

for wealth); measures of poverty; unemployment rates; population (in total or for selected populations); levels of economic growth; overcrowding; and, of course, the quality of submitted applications and proposals. These are all imperfect indicators of need with built-in biases. The problem of measuring unemployment and poverty in rural areas, for example, is well documented(18). The measures usually depend on headcounts, which in turn are based on the individual applying for some form of government assistance. Rural people are more likely to be underemployed,or not in the job market at al because they know there are no opportunities. Therefore they are often not counted. An example of what sometimes occurs can be illustrated by the case of Florida's Gasden County. The County had a population of 39,184 in 1970, of which about one-third were below poverty level. The major industry in the County was rapidly declining. The official unemployment rate for the County in 1976 was 9.2 per cent, slightly above the national average. Yet it was evident to local residents that many more were out of work. The problem turned out to be that farm workers were not eligible for unemployment compensation (the basis for the count) and a subsequent house-to-house survey placed the unemployment rate at 26 per cent(19).

Depressed urban neighbourhoods, on the other hand, run the risk of having their numbers merged with more affluent adjoining districts or suburbs. Property wealth can also be inflated due to industrial wealth or land speculation while the disposable income of residents is low. Thus programmes that distribute on the basis of property value as a proxy for wealth also short change urban centres.

Competitive applications for grants reward those who already are more likely to be better equipped and hence more able to have grant-writing skills. None of the criteria on its own, are perfect and the limitations need to be recognised compensated for to obtain the desired outcomes.

Politics and Polemics

Every act is based upon a political perspective, or even, in some instances, theory. The politics determine, for example, whether the Acts mandate local control of programmes or simply local involvement; whether they promulgate corporate expansion or local entrepreneurship; whether they acknowledge the needs and rights of the workers or cater to the demands of business; whether they emphasize co-operatives or competitive enterprises and urban or rural growth. Each intervention has implications that affect the economic and social climate of the community involved.

Given the economic history of the United States and the nature of American business, with the largest 500 corporations controlling almost 20 per cent of all jobs, any counter trend toward decentralisation, co-operation, or redistribution of capital supported by Federal agencies could be considered a radical shift.

Although the Acts are not singular in purpose, and often allow for pluralistic approaches to growth, there are, nevertheless, some directions that dominate agency policy. It can be argued, for instance, that the programmes administered by CSA are less traditional than those of HEW because they encourage more direct local responsibility and are more conducive to co-operative arrangements.

The education and training programmes that support local development tend to be more conservative and less susceptible to radically different approaches. The Vocational Education Act, for example, has developed primarily to serve business. There are random instances (which vocational educators are quick to point out) of programmes emphasizing entrepreneurial skills, but these are rare. The work habits taught and sought by potential employers are still order, docility and subordination. Vocational education, like public schooling in general, is restricted by its own traditions, national curriculum and textbook distributors, professional organisations, and requirements of post-secondary institutions and employers. There is, in fact, little to indicate that education has had any direct impact on reducing current unemployment.

Local participation in the planning process that is mandated by the law is, for the most part, perfunctory. Real decisions come from educational administrators. Vocational education, although a distinct programme of study, remains part of the public school system, which is professional highly specialised and institutionalised to the point that it is nearly impervious to fundamental change.

There is also an implicit anti-labour bias in the programmes under HEW. Educators, evaluated on the basis of placement rates of graduates, are all too aware that organised labour repels industry and low-wage, non-union sites attracts business. Therefore, vocational education's own criteria of success tends to ally it with the interests of industry - productivity and loyalty - than with either individual or community development.

This political stance has been effective in attracting jobs. However it is more effective at attracting already existing jobs than in creating new ones. This may be quite advantageous to the local community but without overall growth, national productivity is a zero sum game and another community must lose those jobs.

CETA programmes have a somewhat more liberal attitude toward education and development. They are not as tightly bound by educational history and thus offer a more eclectic approach to training. In addition, since the resources are directed toward the individual rather than the institution, the programme is more protective of the individual and more responsive to his or her needs. Unfortunately, this openness has led to many claims of fraud, and millions of dollars have gone into jobs for which training and experience were minimal and through which future opportunities were essentially non-existent.

The Economic Opportunity Act, as administered by CSA is, in many ways, the most radical approach to local development. First, Title VII of the Act distributes money directly to local organisations, not through any government agency. Federal project officers act more as advocates to support the project than as adversaries (which often describes the Federal role in other programmes). Second, the programme encourages non-profit businesses and co-operatives. A researcher recently looked at existing local development programmes and the degree to which they are succeeding. Two factors appear to improve the chance for success: charismatic leadership and/or a strong issue orientation(20). Some success might be inferred from the fact that both HUD and EDA have initiated their own programmes emulating the CDC model, and in some cases, supplementing existing CDCs. The Urban Development Action Grants of HUD, for example, are similar except that the funds go to communities instead of private organisations.

Other radical innovations in economic development are evident in other programmes. EDA has supported Employee Stock Ownership Plans (ESOPs). An example of this is the South Bend (Indiana) Lathe Company, which was faced with a shutdown in 1975 after a series of annual losses. The city of South Bend received a $5 million grant for a trust to purchase stock for the employees. Today, under employee ownership, productivity is up 25 per cent and the company is operating at a profit. Unfortunately this example is the exception, not the rule. Most ESOPs have resulted in little more than traditional profit sharing, and have skirted the issue of worker control(21).

Co-operation, as a form of economic growth, at first glance appears to contradict the basic tenets of capitalism. Yet co-operatives have a long and successful history in rural America. Even the task Force on Southern Rural Development (which included President Carter, Commerce Secretary Kreps and Labour Secretary Marshall) suggested in their 1974 report that:

> "Since private profit-maximising employers tend to avoid certain places as well as screen out certain people, alternative development strategies should be promoted by private organisations and governments. One such strategy that should be encouraged is the use in promoting development of organisations whose primary motive need not be to maximise profit. Promising organisational forms that could be used include co-operatives and community development organisations."(22)

Conclusion

There are few national level programmes in the United States that directly support both local development and education/training. There are distinctively different sets of policies for each. Both are needed to accomplish the desired goals of economic stability and low unemployment. Yet, limited Federal resources mean, in practice, that each programme is in competition with the others. This restricts the co-operative planning and joint action which might otherwise occur.

Across the spectrum of federal programmes discussed in this paper, there is growing attention to local development as a politically sound means to achieve the federal intent - a redistribution of opportunity, termed "equity". Tensions exist, however, between the social goals of the government and the purely monetary goals of private enterprise. The aim of the government is to reduce unemployment and poverty by raising the less developed areas up to the level of the developed areas and making them more self-sufficient. The goal of industry is to maximise profits and thus the government can only influence private development by using its resources to provide the private sector with such desired benefits as tax incentives, loans, grants, and subsidised labour. Conflicting demands of industry and government often produce counterintuitive results. For example, incentives to relocate industry in areas of high unemployment often do not reduce the unemployment levels of the local workers because companies tend to bring most of their key (i.e. managerial and skilled) workers with them.

Furthermore, industry, as a rule, seeks to increase its control over the local community while the government (at least in principle) seeks increased local citizen control. All federal programmes pay lip service to local participation and many have even started to act on the realisation that successful programmes tend not to be those imposed from the outside, but rather those which emerge from the perceived needs and desires of a given local community. Still, the fragmentation of programmes at the national level precludes cohesive policy formulation. A given community can be a local redevelopment area (for EDA), a prime sponsor (for CETA), a school district (for Voc Ed), a target city (for HUD), and a CDC (for CSA) simultaneously. Each has different (and sometimes even conflicting) planning provisions, timetables; and requirements for participation. One would need a doctorate in organisational theory and a law degree to fully understand all of the implications and to integrate all of the requirements. Unfortunately, in case after case, communities have responded by bringing in outside consultants to help them find their way through this federal maze (thus putting the decision-making back into the hands of the "experts"). Paradoxically, the federal government frustrates its own expressed desire for both efficient management and local control by allowing an extraordinarily complicated system to operate unchecked.

The one thing that is clear about all federal attempts to intervene in "education and local development" is that the results are unclear. There remains a pressing need not only to assess the effects of current interventions but also to encourage a range of new initiatives which will more directly link education and local development. Until these two steps are taken, one can only speculate as to whether the relationship between education and local development is really a marriage made in heaven or just another "one night stand".

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APPENDIX I

Federal Policies and Programmes for Education and Local Development in the United States

Programme Characteristics Summary

	Recipients	Primary Formula or Eligibility Criteria	Principal Goals	Targeted Populations/ Areas	Appropriate Funds for(*) Development Training 1978, ($100,000's)
Vocational Education Act	States	. Property wealth . Concentration of poverty	. Education . Job placement	. Disadvantaged . Handicapped . Bilingual . Women . Limited English speaking	660
Comprehensive Employment and Training Act	"Prime Sponsors" (Political units within States)	. Unemployment . Low-income families	. Job training . Employment opportunities	. Handicapped . Youth . Elderly . Women	3,441
Public Works and Economic Development Act	"Redevelopment Areas" (Political units within States)	. Unemployment . Outmigration . Threatened loss of employment . Concentration of poverty	. Community Development to reduce unemployment	. Unemployed . Poor . Threatened with loss of jobs	468
Economic Opportunities Act	Community Action Agencies	. Application	. Community Development to reduce poverty	. Low-income . Elderly	46
Appalachian Regional Development Act	Thirteen Appalachian region States	. Population in Appalachian regions of each State	. Community Development in depressed areas	. Appalachian regions	113
Housing and Community Development Act	. Metropolitan areas . Urban counties	. Population . Overcrowding . Economic conditions	. Revitalising urban neighbourhoods	. Urban areas	3,600
Rural Development Act	. Business . Local organisations . Local governments	. Population . Farm population . Rural population	. Revitalising rural communities	. Rural areas	15
Small Business Act	. Industrial businesses	. Application	. Support of small business	. Minority-owned business	3,535

(*) Funds extracted from the Appendix to the Budget of the United States Government for Fiscal Year 1980. They represent the programmes within the Acts that relate most directly to economic development or vocational/employment training.